



September 14, 2005

**United States
Department of
Agriculture**

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Ave, SW
Stop 0510
Washington, DC
20250-0510

Dear Tobacco Manufacturer or Importer:

The Tobacco Transition Payment Program (TTPP) assessment for the third quarter of Fiscal Year 2005 included a \$287,210,591 cost to the Commodity Credit Corporation (CCC) for tobacco loan inventory losses incurred in that quarter. The loan inventory losses represent 54 percent of \$531,742,092, the total assessment for the third quarter. CCC will assess about \$4.5 million in final tobacco loan inventory losses in the invoice for the fourth quarter of Fiscal Year 2005.

In response to concerns expressed by many of you, CCC has agreed that 54 percent of your invoice dated September 1, 2005, may be paid in 6 equal installments. The installments will be due and payable on the following dates: Sept. 30, 2005; Dec. 30, 2005; Mar. 30, 2006; Jun. 30, 2006; Sept. 30, 2006; Dec. 30, 2006.

No interest will be due on the installment that is due on Sept. 30, 2005. However, Section 626(b)(2) of the Fair and Equitable Tobacco Reform Act of 2004 (the Act) requires that CCC be reimbursed "with interest" for all funds CCC expended under that section of the Act. Accordingly, 3.875 percent per annum will be due on each of the other five installments. If you pay the full amount by September 30 you will not incur any interest payments. A spreadsheet to help you compute your payments is available at <http://www.fsa.usda.gov/tobacco>. The following table provides an example how payments for the installment plan are calculated.

Example of Installment Plan for the September 1, 2005 Tobacco Assessment						
A.	Sept 1, 2005 invoice amount				\$16,666.67	
B.	Portion not associated with loan inventory loss (46%)				\$7,666.67	
C.	Portion associated with loan inventory loss (54%)				\$9,000.00	
D.	6 quarterly payments associated with inventory loss				\$1,500.00	
E.	Annual interest rate				3.875000%	
F.	Daily interest rate (3.8750% / 365)				0.0106164%	
G. Date paid under installment plan	H. Number of days since previous payment	I. Portion not associated with loan inventory loss: 46%	J. Remaining portion due associated with loan inventory loss	K. Installment plan principal (portion associated with loan inventory loss: 54%)	L. Interest due (F * H * J)	M. Total payment due (I + K + L)
30-Sep-05	0	\$7,666.67	\$9,000.00	\$1,500.00	\$0.00	\$9,166.67
30-Dec-05	91		\$7,500.00	\$1,500.00	\$72.46	\$1,572.46
30-Mar-06	90		\$6,000.00	\$1,500.00	\$57.33	\$1,557.33
30-Jun-06	92		\$4,500.00	\$1,500.00	\$43.95	\$1,543.95
30-Sep-06	92		\$3,000.00	\$1,500.00	\$29.30	\$1,529.30
30-Dec-06	91		\$1,500.00	\$1,500.00	\$14.49	\$1,514.49
Total		\$7,666.67		\$9,000.00	\$217.53	\$16,884.20

If you have any questions, please call Jane Reed at (202) 720-6782.

Sincerely,

for

John A. Johnson

Deputy Administrator for Farm Programs
Farm Service Agency